

9. Survivor Benefits

The Defined Benefit Program provides benefits to survivors, when your death occurs either before or after your retirement. These benefits provide a basic level of security for your survivors, depending on if you have Coverage A, Family Allowance or Coverage B, Survivor Benefit.

Coverage A or Coverage B – Family or Survivor Benefits

If you became a CalSTRS member after October 15, 1992, your survivors are protected under Coverage B, Survivor Benefit. If you were a CalSTRS member before that date, you were offered the choice of either Coverage A or Coverage B. Check your *Annual Statement of Account* for which coverage you have or call us at 800-228-5453.

One-Time Death Benefit

A one-time death benefit is payable to the one-time death benefit recipient, or recipients, under both Coverage A and B if eligibility requirements are met. The amount of this benefit depends on your coverage and whether death occurs before or after your retirement. If you do not name a recipient, your estate will receive the one-time death benefit. For more information on one-time death benefit recipients, see Section 5, Approaching Retirement.

Monthly Benefits

Monthly benefits may be paid to your eligible survivors if you die before retirement or if you were receiving a disability benefit at the time of death. These monthly benefits are not made to option beneficiaries if you had elected a pre-retirement option. For more information on pre-retirement option election, see Protecting Your Loved Ones Before You Retire in Section 5.

Less Than One Year of Service Credit

If you have less than one year of service credit, the benefit payable to your death benefit recipient, or recipients, is a refund of accumulated Defined Benefit and Defined Benefit Supplement contributions and interest.

Reporting the Death of a Member or Benefit Recipient

CalSTRS should be notified as soon as possible of the death of a member, option beneficiary or CalSTRS benefit recipient. You can either write CalSTRS at

P. O. Box 15275
Sacramento CA 95851-0275

OR

Call Member Services at 800-228-5453

CalSTRS will need the following information:

- Deceased person's name and Social Security number.
- Date of death.
- Individual's status immediately preceding death: retired, disabled, a member in active teaching status, option beneficiary or other benefit recipient.
- Name, address and telephone number of contact person.

Survivor Benefit Applications

Applications for survivor benefits are now taken over the telephone in most cases. A caseworker will contact the recipients to complete the application over the telephone. The name and telephone number of the caseworker will be provided to the recipients by written notification.

A copy of the death certificate must be sent to CalSTRS. Additional information or documentation may be requested. CalSTRS payments issued to the deceased after the date of death must be returned to CalSTRS.

Payment of Benefits

CalSTRS generally pays benefits to recipients within 45 days of receiving the last required document. Payment may be delayed if CalSTRS does not receive documentation, such as marriage or death certificate, in a timely manner or if we do not have a *One-Time Death Benefit Recipient Designation* form on file that identifies the name and address of the current recipient or recipients.

Coverage A – If You Die Before Retirement

Under Coverage A, benefits are payable to your survivors if you became a member of CalSTRS before October 16, 1992, and did not elect Coverage B in the election held between October 1992 and April 1993.

One-Time Death Benefit

Under Coverage A, if you die before retirement, CalSTRS pays a \$6,163 one-time death benefit to your named recipient or recipients. (This amount is adjusted periodically by the Teachers' Retirement Board.) If you name more than one recipient, the payment is divided equally, unless you specified other percentages of distribution. If you do not name a one-time death benefit recipient, CalSTRS must make the payment to your estate.

For CalSTRS to pay this benefit, you must have had one year or more of credited service and your death must have occurred during one of the following periods:

- While in employment for which compensation is paid or while receiving a disability benefit.
- Within four months after you terminated employment or had last earned creditable service.
- Within four months after you terminated a disability benefit if no service was performed after the termination.

- Within 12 months of the last day for which compensation was paid, if you were on an approved leave of absence without compensation for reasons other than disability or military service.

If you worked part time, death must have occurred within four months after ending employment or earning service credit.

In addition to these qualifications, if you had taken a refund of accumulated retirement contributions, you must have subsequently performed one year of credited service.

For periods of part-time employment (hourly, substitute, daily), final compensation may be computed using actual salary earned during that period.

Eligibility for Family Allowance

For your survivors to be eligible for the monthly family allowance, you must have met the same eligibility requirements as for the one-time death benefit described earlier and you:

- Cannot have a pre-retirement election of an option in effect.
- Must have earned one year of credited CalSTRS service since reinstatement from service retirement, if applicable.
- Must have earned at least one-half year of credited service after a break in service of more than one year, if applicable.

Under Coverage A, a monthly family allowance is payable to:

1) The surviving spouse or registered domestic partner with eligible children

A dependent child is eligible if he or she is:

- Your natural or adopted child or stepchild and not adopted by a person other than your spouse or partner,
- Born within the 10-month period starting on the date of your death,
- Under age 22 and unmarried at the time of your death, and
- Financially dependent upon you on the date of your death or on the effective date of disability, if you died while receiving a disability benefit.

Your surviving spouse or partner will receive 40 percent of your final compensation and 10 percent of your final compensation for each eligible child up to a maximum of 50 percent for five or more children. The maximum family allowance is 90 percent of your final compensation. The family allowance is payable as long as the dependent child is under age 22, unmarried, or not a registered domestic partner. (See example on the next page.)

2) The surviving spouse or partner with no eligible children

If there are no eligible children, or when the last child is no longer eligible, your surviving spouse or partner may elect to receive:

- A return of the accumulated Defined Benefit contributions and interest in your account at the time of your death, less all monthly benefits paid.
- OR
- A monthly allowance payable for life. The calculation* is based on the projected service credit and final compensation you would have accrued as if you had retired at age 60. If the monthly allowance is paid before age 60, the amount is actuarially reduced.

3) Dependent children, but no surviving spouse or partner

If you have dependent children, but no surviving spouse or partner, the dependent children are eligible for 10 percent of your final compensation for each child up to a maximum benefit of 50 percent. If you have more than five eligible dependent children, they will share equally in the total 50 percent of final compensation. Benefits are payable to each child until the child is no longer eligible; that is, he or she marries, registers as a domestic partner, attains age 22, or is no longer dependent. When all of your chil-

dren are no longer eligible for a benefit, any remaining contributions and interest in your account, less all monthly benefits paid, will be paid to the recipient or recipients you named to receive the one-time death benefit. If you did not name a recipient, CalSTRS must make the payment to your estate.

4) Dependent parents

A family allowance can be paid to your dependent parents if there is no surviving spouse or partner and no dependent children. A parent will be paid a monthly payment for life beginning at age 60 or, if the dependent parent is under age 60, he or she may elect to receive an actuarially reduced benefit for life. For more information about eligibility requirements for this benefit, contact CalSTRS at 800-228-5453.

5) Named recipient

If there is no surviving spouse, partner, eligible children or dependent parents, the remaining Defined Benefit contributions and interest in your account, if any, will be paid to the recipient or recipients you named to receive your one-time death benefit. If no recipient was named, CalSTRS must make the payment to your estate.

Offsets

CalSTRS must reduce any family allowance under Coverage A by the amount of benefits payable by other public systems because of a member's death. Other public systems include Social Security, federal civil service retirement, federal military disability, railroad retirement, and any other public retirement system including disability programs financed from public funds.

A copy of any award letters must be sent to CalSTRS so that payments can be adjusted.

*The calculation will also include service credit for the member's unused sick leave if he or she became a CalSTRS member before July 1, 1980, or died on or after January 1, 1999.

Family Allowance Example

Rob dies at age 40. His survivors include a spouse with eligible children.

Linda will receive a monthly family allowance of \$1,754 as long as she has three eligible children. In addition, an annual benefit improvement increase of 2 percent of the basic benefit will be added to the monthly payment each September, beginning a year after Rob's death. As each child becomes ineligible, that child's increment will no longer be included in the basic benefit.

When her youngest child reaches age 22, or is no longer eligible, Linda, age 57, will have to make a choice:

- She can take the remaining Defined Benefit contributions and interest in Rob's account, less all previously paid benefits.

OR

- At age 60, Linda can receive the surviving spouse benefit payable for life. She will receive a monthly payment of \$1,353.85, based on Rob's projected service and projected final compensation. This equals one-half of what Rob would have received if he had worked to age 60 and elected Option 3.

OR

- If Linda elects to receive the surviving spouse benefit before age 60, the benefit will be actuarially reduced.

Family Allowance

Coverage A

Member: Rob, age 40

Spouse: Linda, age 40

Children: Mike 15, Robert 10, & Sandy 5

Service Credit: 10 years

Final Compensation \$3,220

a. Spouse's Benefit
40% x \$3,220 = \$1,288

b. Children's Increment
3 x 10% x \$3,220 + \$966

Family Allowance with
eligible children (a+b) = \$2,254

Less Social Security offset - \$500

Amount payable by CalSTRS = \$1,754

Coverage B – If You Die Before Retirement

Under Coverage B, benefits are payable to your survivors if you became a member of CalSTRS on or after October 16, 1992, or elected Coverage B in the election held between October 1992 and April 1993.

Coverage B – One-Time Death Benefit

Under Coverage B, if you die before retirement, CalSTRS pays a one-time death benefit to your named recipient or recipients. (This amount is adjusted periodically by the Teachers' Retirement Board.) If you name more than one recipient, the payment is divided equally, unless you specified other percentages of distribution. If you do not name a one-time death benefit recipient, CalSTRS must make the payment to your estate. The one-time death benefit through June 30, 2005, is \$24,652.

For CalSTRS to pay this benefit you must have had one year or more of service credit and your death must have occurred during one of the following periods:

- While in employment for which creditable compensation is paid.
- Within four months after you terminated employment or had last earned creditable service.
- Within 12 months of the last day for which creditable compensation is paid, if you were on an approved leave of absence without compensation for reasons other than disability or military service.

If you worked part time, death must have occurred within four months after ending employment or earning service credit. In addition to these qualifications, if you had taken a refund of contributions or had reinstated after retirement, you must also have:

- Earned one year of service credit.

OR

- Six months must have elapsed since reinstatement from disability retirement.

Qualifying for Monthly Survivor Benefits

You must have met the same eligibility requirements as for the one-time death benefit and you:

- Cannot have a pre-retirement election of an option in effect.
- Must have earned one year of credited CalSTRS service since reinstatement from service retirement, if applicable.
- Must have earned at least one-half year of service credit after a break in service of more than one year, if applicable.
- Must have died within four months after reinstatement from disability retirement, if you had reinstated to active membership from disability retirement.

Under Coverage B, a monthly survivor benefit is payable to:

1) Surviving spouse or registered domestic partner

Under Coverage B, the monthly survivor benefit payment is made to your surviving spouse or registered domestic partner.

Your spouse or partner is eligible for a monthly benefit whether or not there are eligible children. The benefit is calculated as if you had retired under Option 3 on the date of death. Under Coverage B, your surviving spouse or partner has the choice of receiving either a monthly benefit or a return of your Defined Benefit contributions and interest.

Your surviving spouse or partner can begin receiving the survivor benefit either:

- Immediately as of the date of your death. The benefit is reduced if you were under age 60 at the time of death.

OR

- When you would have reached age 60.

The monthly benefit is calculated on your actual service credit and final compensation at the time of your death. If you die on or before age 60, your age and your spouse's or partner's ages as of the date you would have attained age 60 are used in the calculation.

If you die after age 60, your age and spouse's or partner's age as of the date of death will be used in the calculation.

The survivor benefit calculation will also include service credit for your unused sick leave.

Neither the longevity bonus nor career factor is part of the calculation for a monthly Coverage B survivor benefit because your death occurred before retirement. For details, see Section 6, Your Retirement Benefit.

2) Eligible children

If you have eligible dependent children and your spouse or partner decides to take a survivor benefit, each child will also receive a monthly benefit. A benefit is not payable to eligible dependent children if you do not have a surviving spouse or partner or your surviving spouse or partner decides to receive a return of your Defined Benefit contributions and interest.

A child is eligible if all of the following apply; that is, he or she is:

- Your natural or adopted child or step-child and not adopted by a person other than your spouse or partner.
- Under age 21 and financially dependent upon you at the time of your death.
- Financially dependent upon you at the time of death.

The child's benefit begins on the day following the date of your death and is payable until age 21, even if your spouse elects to wait to receive a monthly survivor benefit until your 60th birthday.

If your surviving spouse or partner dies before the last child reaches age 21, the children's benefit is still payable until the child attains age 21. Once all children are no longer eligible for a benefit, any remaining Defined Benefit contributions and interest in your account, less all monthly benefits paid, will be paid to your death benefit recipient.

Each child's benefit is 10 percent of your final compensation, up to a maximum of 50 percent for five or more children.

3) If there is no surviving spouse or registered domestic partner

No monthly benefits are payable to survivors if there is no surviving spouse or partner. Your Defined Benefit accumulated retirement contributions and interest would be paid to your named recipient as a one-time benefit.

If no recipient was named, CalSTRS must make the payment to your estate.

Offsets

The monthly survivor benefit under Coverage B is not reduced by benefits payable from other public systems such as Social Security.

Survivor Benefit Example

Sharon dies at age 40. Her survivors include a spouse, David, and three children eligible for benefits.

David can choose the surviving spouse benefit or he can choose to take a refund of the contributions and interest in Sharon's Defined Benefit account. *However, if he does not elect a monthly benefit, the children are not entitled to monthly benefits.*

If David elects the survivor benefit, he will immediately receive 10 percent of final compensation for each child (\$322 each) as of the date of Sharon's death, until each child reaches age 21.

David's Choices:

David can choose to receive his surviving spouse benefit when Sharon would have reached her 60th birthday (normal retirement age) and receive the full amount or he can choose to receive a reduced benefit immediately.

Note: *The surviving spouse benefit is calculated based on the amount of service credited at death, as if the member lived to age 60 and had retired naming him as an Option 3 beneficiary, which is 50 percent of the modified benefit.*

If David's choice is to defer receipt of his surviving spouse benefit, the children will receive the following benefit immediately as of the date of Sharon's death:

10% of final compensation for each child:
\$322 x 3 children = \$966

David would receive no spouse benefit until Sharon would have reached age 60, which would be 20 years from this time. He would then receive a spouse benefit of \$305.13 for the rest of his life. See the following calculation of the Option 3 beneficiary benefit.

If David elects to take his surviving spouse benefit immediately, the family will receive the following survivor benefit:

David's reduced spouse benefit (see the next calculation) = \$ 53.25

10% of final compensation for each child
(\$322 x 3 children) = \$966.00

Total = \$1,019.25

Each child's separate benefit will stop when that child reaches age 21. After David's last child turns 21, he will continue to receive his spouse's benefit, \$53.25 per month in this case, for his lifetime.

In addition, an annual benefit improvement increase of 2 percent of the basic benefit will be added each September, beginning a year after Sharon's death.

Here are the choices David must make for the spouse's monthly benefit:

Defer benefit until Sharon's 60th birthday
(see the Survivor Benefit example):
 $\$610.25 \div 2 = \305.13

OR

Start benefit as of the date of Sharon's death
 $\$305.13 \times 17.45\%$
 (age 40 option 3 age factor) = $\$53.25$

Survivor Benefit

Coverage B

Member: Sharon, age 40
 Spouse: David, age 40
 Children: Joe 12, Sam 9, and Jake 7
 Service credit: 10 years
 Final compensation: \$3,220

Sharon's unmodified benefit,
 as if she were age 60
 $2\% \times 10 \text{ years of service credit}$
 $\times \$3,220 \text{ final compensation} = \644.00

Modified benefit, based on
 Option 3 factor of 94.76%
 (member and spouse age 60)
 $.9476 \times \$644 = \610.25

Option 3 – Beneficiary receives
 one-half the member's modified benefit
 $\$610.25 \div 2 = \305.13

Defined Benefit Supplement Distribution

If you die before retirement your recipient will receive a benefit based on the balance in your DBS account. If you have a minimum of \$3,500 per named recipient, your recipients will have a choice of a lump-sum payment or the following annuity choices:

- A single life without cash refund
- A period-certain annuity

If you die after retirement, you will have already made your Defined Benefit Supplement annuity selection. An ongoing monthly annuity will only be paid if your selection is made upon retirement.

Coverage A or B – If You Die After Retirement

Coverage A or B – One-Time Death Benefit

If you die after retirement, the one-time death benefit is the same under both Coverage A, Family Allowance and Coverage B, Survivor Benefit.

CalSTRS pays a one-time death benefit to your named recipient or recipients if you are a retired member. (The amount of the payment may be adjusted periodically by the Teachers' Retirement Board.) If you name more than one recipient, the benefit is divided equally, unless you specified other percentages of distribution. If you did not name a one-time death benefit recipient, CalSTRS must make the payment to your estate. The one-time death benefit through June 30, 2005 is \$6,163.

Defined Benefit Supplement Distribution

If you die after retirement, depending on the annuity option selected for your DBS account, its balance may be distributed to your recipient or recipients named on your *One-Time Death Benefit Recipient Designation* form.

Monthly Benefit

Once you have retired, no monthly benefit is payable to your survivors unless you have chosen one of the options described in Section 6, Your Retirement Benefit. If you have chosen an option, your option beneficiary or beneficiaries will receive the monthly benefit payable under that particular option. If retired and you have not chosen an option, you have been receiving an unmodified monthly benefit.

The option beneficiary who is receiving a monthly Defined Benefit and Defined Benefit Supplement payments may name a beneficiary to receive any remaining accrued benefit upon the option beneficiary's death.

Unmodified Monthly Benefit

If retired and you had elected the unmodified benefit for your Defined Benefit pension, you receive it for your lifetime. No continuing monthly benefit will be payable to another person.

However, a one-time death benefit recipient will receive the monthly retirement benefit that accrued and was not paid during the month of death, plus any residual contributions and interest that may be in your Defined Benefit account, after all benefit

payments made to you have been deducted.

In addition, from your Defined Benefit Supplement account, your one-time death benefit recipient will receive any residual contributions and interest in your DBS account, after all payments made to you have been deducted. If you had selected a single life annuity with cash refund for your Defined Benefit Supplement account distribution, your one-time death benefit recipient will receive the monthly annuity payment that accrued and was not paid during the month of death.

Dies After Retirement

Unmodified Benefit

Elaine had been retired for 10 years at the time of her death on the 15th of the month. Elaine's monthly benefit was \$950. She had \$35,000 in contributions and interest at the time of retirement and received \$115,000 in retirement benefits before her death.

The amount payable to Elaine's recipient would be calculated as follows:

Contribution and interest balance at retirement	\$35,000
Less retirement benefit paid	- \$115,000
Remaining contributions and interest	0
Accrued monthly benefit during the month of death (½ month x \$950)	\$475
Current one-time death benefit	\$6,163
Total Payable	\$6,638